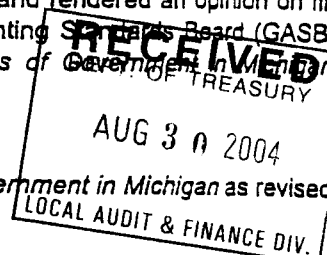


# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Fruitport	County Muskegon
Audit Date March 31, 2004	Opinion Date August 2, 2004	Date Accountant Report Submitted to State: August 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin Meeusen Company, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State MI	ZIP 49417
Accountant Signature <i>Calvin Meeusen</i> CPA-Durand			

VILLAGE OF FRUITPORT, MICHIGAN  
AUDITED FINANCIAL STATEMENTS

March 31, 2004

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**CALVIN MEEUSEN COMPANY, C.P.A., PLLC**

**CALVIN D. MEEUSEN  
CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

To the Village Council  
Village of Fruitport, Michigan

I have audited the accompanying general purpose financial statements of the Village of Fruitport, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America as well as those procedures prescribed by the State Treasurer. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Fruitport as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Fruitport, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

 Calvin D. Meeusen Company C.P.A. PLLC.

Calvin D. Meeusen, C.P.A.  
Grand Haven, Michigan  
August 2, 2004

Village of Fruitport

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT G

March 31, 2004

	<u>General</u>
ASSETS	
Cash	\$207,025
Cash - restricted	10,301
Receivables	
Taxes	24,232
Accounts	11,945
Due from other funds	4,333
Due from state	11,838
Property, plant and equipment	-
Amount to be provided for retirement of general long-term debt	-
	-
Total Assets	<u>\$269,674</u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ 38,553
Due to other funds	-
Accrued liabilities	5,931
General obligation bonds payable	-
Total Liabilities	<u>44,484</u>
Fund equity:	
Investment in general fixed assets	-
Fund balance	
Designated	10,301
Undesignated	214,889
Total Fund Equity	<u>225,190</u>
Total Liabilities and Fund Equity	<u>\$269,674</u>

The accompanying notes are an integral part of this statement.

PS

Governmental Fund Types		Account Groups		Totals (Memorandum only)
<u>Special Revenue</u>	<u>Debt Service</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
\$160,826	\$ -	\$ -	\$ -	\$ 367,851
-	-	-	-	10,301
-	-	-	-	24,232
-	-	-	-	11,945
-	-	-	-	4,333
20,275	-	-	-	32,113
-	-	775,541	-	775,541
-	-	-	36,916	36,916
<u>\$181,101</u>	<u>\$ -</u>	<u>\$775,541</u>	<u>\$ 36,916</u>	<u>\$1,263,232</u>
\$ 1,236	\$ -	\$ -	\$ -	\$ 39,789
4,333	-	-	-	4,333
1,567	-	-	-	7,498
-	-	-	36,916	36,916
<u>7,136</u>	<u>-</u>	<u>-</u>	<u>36,916</u>	<u>88,536</u>
-	-	775,541	-	775,541
-	-	-	-	10,301
173,965	-	-	-	388,854
<u>173,965</u>	<u>-</u>	<u>775,541</u>	<u>-</u>	<u>1,174,696</u>
<u>\$181,101</u>	<u>\$ -</u>	<u>\$775,541</u>	<u>\$ 36,916</u>	<u>\$1,263,232</u>

Village of Fruitport

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES

Year ended March 31, 2004

		Governmental Fund Types		
	General	Special Revenue	Debt Service	Totals
Revenues:				
Taxes	\$181,149	\$ -	\$ -	\$181,149
Licenses and permits	6,713	-	-	6,713
State grants	99,175	110,617	-	209,792
Charges for services	47,978	-	-	47,978
Interest and rentals	48,208	1,145	-	49,353
Other revenue	<u>17,825</u>	<u>-</u>	<u>-</u>	<u>17,825</u>
TOTAL REVENUES	401,048	111,762	-	512,810
Expenditures				
Current:				
Village council	67,461	-	-	67,461
General government	38,772	-	-	38,772
Public safety	2,179	-	-	2,179
Public works	148,038	145,532	-	293,570
Recreational and cultural	28,250	-	-	28,250
Other	10,798	-	-	10,798
Capital outlay	4,684	-	-	4,684
Debt service				
Principal	-	-	42,630	42,630
Interest & charges	-	-	3,508	3,508
TOTAL EXPENDITURES	<u>300,182</u>	<u>145,532</u>	<u>46,138</u>	<u>491,852</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,866	(33,770)	(46,138)	20,958
Other financing sources (uses)				
Operating transfers in	-	30,000	46,138	76,138
Operating transfers out	<u>(76,138)</u>	<u>-</u>	<u>-</u>	<u>(76,138)</u>
Total other financ- ing sources (uses)	<u>(76,138)</u>	<u>30,000</u>	<u>46,138</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	24,728	(3,770)	-	20,958
Fund balance - April 1	<u>200,462</u>	<u>177,735</u>	<u>-</u>	<u>378,197</u>
Fund balance - March 31	<u>\$225,190</u>	<u>\$173,965</u>	<u>\$ -</u>	<u>\$399,155</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS  
Year ended March 31, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$180,518	\$181,149	\$ 631
Licenses and permits	1,600	6,713	5,113
State grants	102,575	99,175	(3,400)
Charges for services	49,700	47,978	(1,722)
Interest and rentals	65,500	48,208	(17,292)
Other revenue	14,118	17,825	3,707
TOTAL REVENUES	414,011	401,048	(12,963)
Expenditures			
Current:			
Village council	60,106	67,461	(7,355)
General government	80,577	38,772	41,805
Public safety	3,400	2,179	1,221
Public works	171,339	148,038	23,301
Recreational and cultural	41,760	28,250	13,510
Other	13,750	10,798	2,952
Capital outlay	57,000	4,684	52,316
Debt service	-	-	-
Principal	-	-	-
Interest and charges	-	-	-
TOTAL EXPENDITURES	427,932	300,182	127,750
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,921)	100,866	114,787
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(30,000)	(76,138)	(46,138)
Total other financing sources (uses)	(30,000)	(76,138)	(46,138)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER USES	(43,921)	24,728	68,649
Fund balance - April 1	200,462	200,462	-
Fund balance - March 31	\$156,541	\$225,190	\$ 68,649

The accompanying notes are an integral part of this statement.



Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
89,000	110,617	21,617	-	-	-
400	1,145	745	-	-	-
-	-	-	-	-	-
<u>89,400</u>	<u>111,762</u>	<u>22,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
223,618	145,532	78,086	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	42,630	(42,630)
<u>223,618</u>	<u>145,532</u>	<u>78,086</u>	<u>-</u>	<u>3,508</u>	<u>(3,508)</u>
			<u>-</u>	<u>46,138</u>	<u>(46,138)</u>
(134,218)	(33,770)	100,448	-	(46,138)	(46,138)
30,000	30,000	-	-	46,138	46,138
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>46,138</u>	<u>46,138</u>
(104,218)	(3,770)	100,448	-	-	-
<u>177,735</u>	<u>177,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 73,517</u>	<u>\$173,965</u>	<u>\$100,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Village of Fruitport

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

The Village of Fruitport (Muskegon County) is a home rule village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, parks and recreation, planning and zoning and general administrative services.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Fruitport conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Reporting Entity

The Village has adopted the position of the National Council of Governmental Accounting (NCGA) as outlined in its Statement 3 regarding the definition of the "reporting entity". The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all governmental activities, organizations, boards and commissions subject to the Village of Fruitport jurisdiction; there are no other activities, organizations, boards or commissions that are not included in this report.

2. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in this report, as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fund Accounting - Continued

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

General Long-Term Debt Account Group - This account group presents the balance of all general obligation long-term debt.

3. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

5. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 15, the Village Council submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Village Council is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the General Fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2004.

Village of Fruitport

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Property Taxes

Property taxes attach as an enforceable lien on property and are levied on July 1 and are payable through September 14. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Collections of these taxes are accounted for in the General Fund. Village property tax revenues are recognized in the period for which they are levied.

The Village is permitted by law to levy taxes up to 12.50 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and 5.0 mills for the payment of principal and interest on long-term debt subject to a vote of the Village residents. The tax rate to finance general government services for the year ended March 31, 2004 was 7.6341 mills.

7. Compensated Absences

Village employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation or sick leave pay do not accumulate past March 31 of each fiscal year. The pro rata portion of unused sick leave or vacation time is paid to employees at the time of termination or retirement. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

8. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

10. Total columns on Combined Statements

Total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Village of Fruitport

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE B - DEPOSITS

The deposits are in several financial institutions and are carried at cost; the deposits are composed of checking accounts, money market and savings accounts.

At March 31, 2004, the carrying amount of the Village's deposits was \$378,152. Of the bank balance, \$317,928 was covered by federal depository insurance, the remainder being uninsured.

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
\$ 37,470	\$ 37,520	General Fund
70,699	70,699	General Fund
70,461	70,461	General Fund
23,333	23,333	General Fund
10,301	10,301	General Fund
5,062	5,092	General Fund (payroll)
17,534	17,791	Major Street Fund
55,125	55,125	Major Street Fund
14,339	14,339	Major Street Fund
3,018	3,018	Major Street Fund
16,210	16,365	Local Street Fund
45,085	45,085	Local Street Fund
9,451	9,451	Local Street Fund
<u>64</u>	<u>64</u>	Local Street Fund
<u>\$378,152</u>	<u>\$378,644</u>	

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2004, follow:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 4,333	Major Street Fund	\$ 2,362
	<u>      </u>	Local Street Fund	<u>1,971</u>
	<u>\$ 4,333</u>		<u>\$ 4,333</u>

Village of Fruitport

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE D - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance April 1 <u>2003</u>	Addi- tions	Dele- tions	Balance March 31 <u>2004</u>
Land & improvements	\$179,953	\$ -	\$ -	\$179,953
Building	281,063	-	-	281,063
Machinery and equipment	311,700	4,684	3,063	313,321
Office furniture	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>1,204</u>
	<u>\$773,920</u>	<u>\$ 4,684</u>	<u>\$ 3,063</u>	<u>\$775,541</u>

NOTE E - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2004:

	Contracts Payable
Bonds and contracts - payable-April 1, 2003	\$ 79,546
Bonds and contracts received	-
Bonds and contracts retired	<u>(42,630)</u>
Bonds and contracts payable-March 31, 2004	<u>\$ 36,916</u>

Debt service requirements to maturity consist of the following:

Fiscal year ending <u>March 31</u>	Total
2005	\$24,961
2006	9,161
2007	<u>5,883</u>
	<u>\$40,005</u>

Long-term debt at March 31, 2004, is comprised of the following individual issues:

General obligation loan payable with annual principal payments through June 1, 2006, plus interest at 5.90% per annum. The loan was incurred to purchase a Department of Public Works facility.

Village of Fruitport

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE E - LONG-TERM DEBT - CONTINUED

General Obligation loan payable with an annual principal payment of \$14,059 due on October 16, 2004 plus interest at 3.44% per annum. The loan was incurred to purchase a dump truck.

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been reported on a functional basis. This is the same basis for which budgets have been legally adopted and amended.

During the year ended March 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General Fund			
Village Council	\$ 60,106	\$ 67,461	\$ 7,355

NOTE G - RISK MANAGEMENT

The Village of Fruitport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to any full-time employees. The Village has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These pools are to provide for joint and cooperative action common to each participating municipal corporation for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.



Village of Fruitport

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE H - BUILDING INSPECTION DEPARTMENT

The Village of Fruitport is responsible for complying with the State Construction Code Act. This Act was amended by Public Act 245 of 1999 which became effective on January 1, 2000. Section 22 of Public Act 245 requires that the legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency under this act, which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including, without limitation, those services and acts as, in case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and occupancy, and, in case of a board of appeals, hearing appeals in accordance with this act. The legislative body of a governmental subdivision shall only use fees generated under this section for the operation of the enforcing agency and shall not use the fees for any other purpose.

The Village of Fruitport meets the Michigan Department of Treasury criteria to account for these activities in the General Fund (ie. not establishing a separate Special Revenue Fund) namely, that the fee structure is not intended to recover the full cost of the enforcing agency and the Village has the ability to track the full costs and revenues of the enforcing agency without creating a separate fund. The following is a schedule of the revenues and expenditures associated with the building inspection department:

Village of Fruitport  
Building Inspection Department  
April 1, 2003-March 31, 2004

Revenue	\$ 840
Expenses	
Contracted and professional services	1,100
Supplies and other	238
Administration	<u>84</u>
TOTAL EXPENSES	<u>1,422</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(582)</u>

SUPPLEMENTAL INFORMATION

Village of Fruitport

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - BY ACTIVITY  
GENERAL FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Village Council	\$ 60,106	\$67,461	\$ (7,355)
General government			
President	2,280	2,156	124
Election	3,000	1,063	1,937
Professional fees	21,500	18,286	3,214
Clerk	9,780	7,462	2,318
Treasurer	8,665	8,402	263
Building and grounds	<u>35,352</u>	<u>1,403</u>	<u>33,949</u>
	80,577	38,772	41,805
Public safety			
Law enforcement	900	840	60
Protective inspections	<u>2,500</u>	<u>1,339</u>	<u>1,161</u>
	3,400	2,179	1,221
Public works			
Department of public works	72,639	63,499	9,140
Waste collection	48,700	45,871	2,829
Street lighting	37,000	28,988	8,012
Maintenance	<u>13,000</u>	<u>9,680</u>	<u>3,320</u>
	171,339	148,038	23,301
Recreation and cultural			
Recreation - parks	27,841	16,818	11,023
Library	<u>13,919</u>	<u>11,432</u>	<u>2,487</u>
	41,760	28,250	13,510
Other			
Insurance and bonds	13,750	10,798	2,952
Capital outlay	<u>57,000</u>	<u>4,684</u>	<u>52,316</u>
	<u>70,750</u>	<u>15,482</u>	<u>55,268</u>
	<u>\$427,932</u>	<u>\$300,182</u>	<u>\$127,750</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

March 31, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Totals</u>
ASSETS			
Cash	\$ 90,015	\$ 70,811	\$160,826
Due from state	<u>14,535</u>	<u>5,740</u>	<u>20,275</u>
	<u>\$104,550</u>	<u>\$ 76,551</u>	<u>\$181,101</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 1,236	\$ -	\$ 1,236
Due to other funds	2,362	1,971	4,333
Accrued liabilities	994	573	1,567
Fund balances:			
Undesignated	<u>99,958</u>	<u>74,007</u>	<u>173,965</u>
	<u>\$104,550</u>	<u>\$ 76,551</u>	<u>\$181,101</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2004

	Major <u>Street</u>	Local <u>Street</u>	<u>Totals</u>
Revenue			
Intergovernmental revenue	\$ 78,356	\$ 32,261	\$110,617
Interest revenue	<u>647</u>	<u>498</u>	<u>1,145</u>
TOTAL REVENUES	79,003	32,759	111,762
Expenditures			
Highways, streets and bridges	<u>88,428</u>	<u>57,104</u>	<u>145,532</u>
TOTAL EXPENDITURES	<u>88,428</u>	<u>57,104</u>	<u>145,532</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,425)	(24,345)	(33,770)
Other financing sources			
Operating transfers in	<u>10,000</u>	<u>20,000</u>	<u>30,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	575	(4,345)	(3,770)
Fund balance - April 1	<u>99,383</u>	<u>78,352</u>	<u>177,735</u>
Fund balance - March 31	\$ <u>99,958</u>	\$ <u>74,007</u>	\$ <u>173,965</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - MAJOR STREET FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue			
State shared revenue			
Gas and weight tax	\$ 68,000	\$ 78,356	\$ 10,356
Interest revenue	<u>200</u>	<u>647</u>	<u>447</u>
TOTAL REVENUES	68,200	79,003	10,803
Expenditures			
Construction, roads, streets and bridges			
Project cost	5,000	5,000	-
Routine maintenance			
Salaries and wages	45,000	28,168	16,832
Other fringe benefits	3,506	2,313	1,193
Operating supplies	10,000	4,943	5,057
Rentals	38,000	22,712	15,288
Professional services	25,000	20,842	4,158
Traffic services			
Repairs and maintenance	<u>5,500</u>	<u>4,450</u>	<u>1,050</u>
TOTAL EXPENDITURES	<u>132,006</u>	<u>88,428</u>	<u>43,578</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(63,806)	(9,425)	54,381
Other financing sources (uses)			
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(53,806)	575	54,381
Fund balance - April 1	<u>99,383</u>	<u>99,383</u>	<u>-</u>
Fund balance - March 31	<u>\$ 45,577</u>	<u>\$ 99,958</u>	<u>\$ 54,381</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - LOCAL STREET FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue			
State shared revenue			
Gas and weight tax	\$ 21,000	\$ 32,261	\$ 11,261
Interest revenue	<u>200</u>	<u>498</u>	<u>298</u>
TOTAL REVENUES	21,200	32,759	11,559
Expenditures			
Construction			
Street improvements	10,000	10,000	-
Maintenance			
Salaries and wages	32,000	14,187	17,813
Other fringe benefits	2,612	1,148	1,464
Operating supplies	7,000	2,255	4,745
Rentals	25,000	22,002	2,998
Professional services	<u>15,000</u>	<u>7,512</u>	<u>7,488</u>
TOTAL EXPENDITURES	<u>91,612</u>	<u>57,104</u>	<u>34,508</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,412)	(24,345)	46,067
Other financing sources			
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(50,412)	(4,345)	46,067
Fund balance - April 1	<u>78,352</u>	<u>78,352</u>	<u>-</u>
Fund balance - March 31	<u>\$27,940</u>	<u>\$74,007</u>	<u>\$ 46,067</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport  
SCHEDULE OF INDEBTEDNESS  
MARCH 31, 2004

Contracts payable (installment purchase agreement)

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2003</u>	<u>March 31 2004</u>	<u>Annual interest payable</u>
5-09-01	\$60,000	5.90	6-01-03	\$ 8,571	\$ -	\$ -
			6-01-04	8,571	8,571	1,601
			6-01-05	8,571	8,571	590
			6-01-06	8,572	5,715	169
			6-01-07	8,572	-	-
			6-01-08	8,572	-	-
				<u>51,429</u>	<u>22,857</u>	<u>2,360</u>
10-16-02	\$28,117	3.44	10-16-03	14,058	-	730
			10-16-04	<u>14,059</u>	<u>14,059</u>	<u>729</u>
				<u>28,117</u>	<u>14,059</u>	<u>1,459</u>
				<u>\$79,546</u>	<u>\$36,916</u>	<u>\$ 3,819</u>

The accompanying notes are an integral part of this statement.



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August 2, 2004

Members of the Village Council  
Village of Fruitport, Michigan

In connection with my examination of the balance sheets of the various funds of the Village of Fruitport as of March 31, 2004, and the related statements of revenues, expenditures and fund balances for the year then ended, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Fruitport for the year ended March 31, 2004 and have issued my report thereon dated August 2, 2004. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Fruitport to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Village of Fruitport is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole.

However, my study and evaluation disclosed that the internal accounting controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Fruitport may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level audit risk associated with this situation.

Effective April 1, 2004 the Village of Fruitport will be subject to GASB 34 as a phase three municipality for the year ending March 31, 2005. I would recommend the Village adopt a minimum capitalization policy retroactive to April 1, 2004 of \$2,000. We will be working with the Village staff throughout the coming year on implementing GASB 34.

In conclusion, I wish to state that all of the comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss the above comments and recommendations.

Respectfully submitted,

 Calvin D. Meeusen, C.P.A. PLLC

Calvin D. Meeusen, C.P.A.